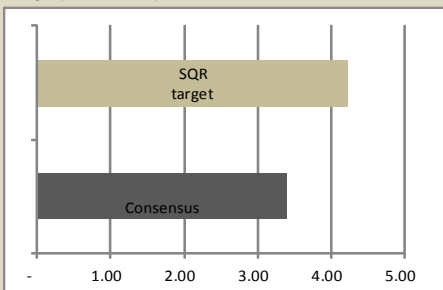




AVW Immobilien AG

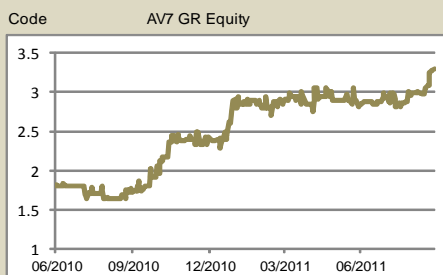
Real Estate Sector

Target price decomposition



Stock data/Rating		BUY		
Last price	€	3.28	±	
SQR target	€	4.20		
Consensus target	€	3.40		
52 week high/low	€	3.30	1.66	
All-time high/low	€	4.35	1.01	
Performance		-1month	-3months	ytd
%		9.3%	13.1%	35.0%
Current market cap	€	42.1	m	
Shares out (average)		12.83	m	
Free float		76.80	%	
P&L	2009/10	2010/11	2011/12e	
Sales €m	22.5	32.8	95.4	
EBIT margin	13.01%	8.96%	10.87%	
Net margin	5.60%	11.00%	6.77%	
ROA	3.33%	2.22%	6.56%	
ROE	5.32%	13.21%	20.54%	
Dividend yield	0.00%	6.10%	6.10%	
Balance Sheet €m	2009/10	2010/11	2011/12e	
Balance Sheet	87.7	132.5	158.2	
Investment assets	56.0	107.1	107.6	
Cash	6.8	2.2	7.7	
Equity	23.6	27.3	31.4	
Net debt	28.6	61.8	75.1	
Enterprise value	71	104	117	
BVPS	1.8	2.1	2.5	
Valuation	2009/10	2010/11	2011/12e	
EV/EBIT	24.2	35.3	11.3	
P/E	33.4	11.2	6.3	
P/E relative	239%	133%	85%	
PEG		0.18	0.10	
P/E at SQR target		14.4	8.1	
ROE/ROA	1.60	5.95	3.13	
ROBV	12.36%	10.75%	32.98%	
EPS	0.10	0.29	0.52	
DPS	-	0.20	0.20	

Market data			
Bollinger up/low	€	2.85	3.24
MAV 100/200 days	€	2.94	2.84
Beta (6 months)		0.33	



Source: Bloomberg

Buy, PT €4.20, upside 30%

AVW Immobilien AG sharpened its focus onto retail asset and nursing home development. Long term, solvent tenants provide base for attractive valuation.

AVW is a real estate developer, which has been in operation since 1978, i.e. for 33 years. The company focused its early activities in the region around Hamburg, where it is located and embraces a excellent local expertise. This allowed AVW to act fast and successful, fuelling the company with funds, which enables it to grow further. Currently, it has 53 employees.

AVW has been a stock listed company since 2008, but did very little IR and PR work in the past. The main reason is that the founder's family owns >75% of the outstanding shares, with friends and other related persons owning further 17%. The current free float is therefore just 7.5%.

*** AVW is an innovator**

AVW started the so called 'rent-purchase' system, which allows municipalities to build new assets without burdening the investment budget. In 2011, AVW Grund AG issued a collateralized bond, allowing AVW to tackle additional, non-bank financing. Both structures enable growth with existing share capital

*** AVW is focused**

AVW sold most of its previously on-book assets in 2004/05. Since then AVW has shifted its emphasis onto retail assets and nursing homes. These are characterized by long term, indexed rental contracts, securing income streams.

*** AVW is set for growth**

AVW has been active predominantly in northern Germany. Now, AVW sees opportunities across Germany, which the company accesses since 2010. The expansion in regional reach would be accompanied by rising income streams

AVW should also benefit from a strong macro-economic environment. Germany is not going to fall into a recession, while consumer spending is likely to remain robust. Against this background, investors seek assets rather than debt. AVW's niche offerings should suit them well

AVW currently trades at a P/E of 6.3 and an EV/EBITDA of 9.3 (2011/12e). Its 2012 NAVPS is EUR 2.69. AVW is set to grow its portfolio to EUR 118m and is seen increasing EPS by 64% CAGR between 2010 and 2013. AVW announced a dividend payment of €0.20/share, which indicates its regained operational strength

Next triggers are further operational steps of its development pipeline, which could well become more rewarding than currently estimated. Positive investment sentiment might allow AVW to increase its selling prices.

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Please inform yourself of important disclosures and disclaimers in the appendix



Executive Summary

AVW is a real estate developer, which has been in operation since 1979, i.e. for 32 years. The company focused its early activities in the region around Hamburg, where it is located and embraces an excellent local expertise. Since 2010, AVW expands its reach and is now planning to operate nationwide. First projects (Meissen, Zittau, Selb and Weinheim) have been successfully launched, with the €26.5m(e) Meissen retail park to be in operation as early as 2012.

AVW is operating as developer in special niches, which reduce the development risk substantially against 'build-to-sell' developers:

- 1) It focuses on development projects with an investment/development value of €10 - 50m. This bracket is mostly too large for individual private investors and still too small for nationwide operating developers or investors. AVW benefits here from its market knowledge and strong relationship to local authorities. The successful history of more than €1bn in developments over more than three decades also serves well in negotiations with authorities and investors.
- 2) It focuses on retail parks and nursing homes. These typically have long term lease contracts with financially strong anchor tenants and/or operators. In addition, AVW developed the so-called 'rent-purchase' system for communities, which allows AVW to act in a pre-sold, low risk development niche.

Our retail and consumer team (Mark Josefson and Klaus Kraenzle) see a generally robust consumer spending environment, which implies that the critical rent/sales ratio remains on manageable levels in the future. This enhances the underlying value of AVW's retail park revenues. Growing demand for nursing homes on the other side improves overall demand for such services.

AVW is an innovator in the development field: it launched the so-called 'rent-purchase' system for communities, which lets local authorities invest into buildings and infrastructure without burdening the investment budget. Essentially, the communities pay a slightly elevated rent (operating budget) over a longer cycle (22 - 30 years). At the end of the 22nd year, they have redeemed already a certain part of the investment sum and would then be able to buy the asset at prices paid 22 years ago. After 30 years, all principle is being paid back and the communities own the asset.

Now, **AVW Grund AG** launched its 1st collateralized, indexed bond (€50.8m, 6.1% coupon, 4.5 years maturity), which purchased four assets and enables AVW to use 10% of the proceeds for its own development projects, i.e. €5m. Based on a typical 15 - 25% equity proportion in development projects, this would allow AVW to launch a €33m development without asking for fresh capital. AVW considers issuing further collateralized, indexed bonds in the next years, fuelling its growth path.

AVW AG currently trades at a P/E of 6.3 and an EV/EBITDA of 9.3. The implicit market capitalization based on our target price would lead to an EV of €128m and a P/E of 8.0.



Company valuation

AVW is primarily a real estate developer, which would lead to an earnings based valuation scheme. At the same time, however, AVW also owns several assets, which implies an asset based valuation - such as NAV.

We will look at both valuation methods and will also look at a potential peer group valuation.

Peer group approach

We have chosen a development orientated peer group, which includes Youniq AG (developer of student homes), Estavis AG (developer of high end residential assets), DIC Asset AG (developer and holder of non-residential assets) and IVG (developer and holder of non-residential assets).

Table: Peer group valuation approach (€m)

YOUNIQ AG	2008	2009	2010e	2011e	2012e
Sales	44,73	34,66	85,40	128,00	107,00
EBITDA	- 0,96	- 6,22	10,50	22,30	24,10
EBIT	- 7,53	- 13,62	10,50	22,30	24,10
Net Income		4,93	5,30	17,60	18,60
EV	165,62	154,10	165,00	180,00	200,00
MC	105,75	91,65	71,20	71,20	71,20
BV	44,33	42,30	47,90	65,00	67,00
ROE/BV		11,66%	11,06%	27,08%	27,76%
EBITDA margin	-2,14%	-17,95%	12,30%	17,42%	22,52%
Net margin		14,24%	6,21%	13,75%	17,38%

Source: Bloomberg consensus, SQR estimates

ESTAVIS AG	2008	2009	2010e	2011e	2012e
Sales	80,04	83,39	54,25	74,45	81,25
EBITDA	- 22,44	- 5,20	4,40	6,95	8,30
EBIT	- 28,31	- 1,31	5,00	6,80	7,90
Net Income	neg	1,07	0,50	2,35	3,00
EV	76,37	90,63	110,00	115,00	120,00
MC	11,74	18,42	28,64	28,64	28,64
BV	48,74	78,41	80,00	83,00	85,00
ROE/BV		1,37%	0,63%	2,83%	3,53%
EBITDA margin	18,70%	19,37%	20,24%	20,44%	20,43%
Net margin	10,10%	10,64%	11,45%	11,66%	11,78%

Source: Bloomberg consensus, SQR estimates

DIC ASSET AG	2008	2009	2010e	2011e	2012e
Sales	174,04	235,18	146,55	168,00	179,44
EBITDA	147,31	112,41	97,11	106,40	110,81
EBIT	11,84	11,14	67,57	77,11	82,94
Net Income		16,38	14,63	19,65	21,72
EV	1.805,53	1.585,61	1.956,00	2.058,00	2.125,00
MC	255,50	326,82	257,95	257,95	257,95
BV	521,16	479,98	486,11	467,50	464,49
ROE/BV	2,27%	2,32%	13,90%	16,49%	17,86%
EBITDA margin	84,64%	47,80%	66,27%	63,33%	61,75%
Net margin		6,96%	9,98%	11,69%	12,11%

Source: Bloomberg consensus, SQR estimates

IVG IMMOBILIEN AG	2008	2009	2010e	2011e	2012e
Sales	1.139,60	1.100,80	618,50	553,50	478,00
EBITDA	270,40	287,50	181,97	246,61	248,00
EBIT	- 115,90	- 47,80	169,83	260,16	286,00
Net Income		8,80	31,69	44,39	69,01
EV	6.062,43	6.227,37	5.794,00	5.630,00	5.600,00
MC	673,93	812,87	334,86	334,86	334,86
BV	807,10	781,63	1.053,18	945,37	985,27
ROE/BV	-14,36%	-6,12%	16,13%	27,52%	29,03%
EBITDA margin	23,73%	26,12%	29,42%	44,55%	51,88%
Net margin	#WERT!	-0,80%	-5,12%	8,02%	14,44%

Source: Bloomberg consensus, SQR estimates



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Based on the data above (Bloomberg consensus estimates) we have looked at three valuation criteria:

- P/E ratios, as these indicate that developers are typically commanding low P/E evaluation, due to the uncertainty of their businesses. AVW should receive a premium in this case, as its developments are in niches, which are well in demand and also due to the fact that AVW would actually invest only after investors have been identified and tenant agreements are being closed.
- EV/EBITDA ratios, as these allow a view on the operational profitability of the developments. This is typically rather high as it reflects the underlying cyclical risks.
- Market capitalisation to book value. This NAV linked valuation is partly typical for AVW, as it is also an asset holder, but to a lesser extent.

Table: Selected combined comparisons (€m)

German peers	2008	2009	2010e	2011e	2012e
P/E		85,83	- 82,50	8,03	6,00
AVW net profits		1,26	2,40	7,10	9,60
implied MC		108,10	- 198,00	56,99	57,56
average			57,28		
German peers	2008	2009	2010e	2011e	2012e
EV/EBITDA	20,88	20,09	27,15	20,56	20,12
AVW EBITDA	- 2,72	4,86	5,40	11,80	15,10
implied EV	- 56,89	97,70	146,59	242,64	303,77
Implied MC		38,00	82,59	160,64	212,77
average			93,74		
German peers	2008	2009	2010e	2011e	2012e
MC/BV	0,75	0,91	0,43	0,46	0,45
AVW BV	22,37	23,63	27,35	31,44	34,42
implied MC	16,79	21,41	11,80	14,44	15,38
average			15,88		

Source: Bloomberg consensus, SQR estimates

Table: Condensed peer group valuation

Average market cap estimate	€m	55,63
number of AVW shares	€m	12,83
per share	€	4,34

Source: Bloomberg consensus, SQR estimates

Based on the peer group valuation, we arrive at a fair value of €4.34/AVW Immobilien AG share. It should be noted in this context that the companies used in the peer group - as most other real estate companies - have suffered significantly during the past months. Year-to-date, most companies have seen their market valuations declining by 25 - >50%. Against this background, our peer group based fair value of €4.34/share appears to look conservative.



Operation based valuation

AVW operates both as an asset developer (sales and earnings with high volatility) and as an asset holder (highly dependable, recurring earnings, which include asset management fee income).

Assuming that AVW continues to operate a rather low risk development (as it aims to start developments only with an end investor in mind and with a high level of pre-agreed rental contracts), an asset yield based EV/EBITDA approach should provide a view on the potential upper end of AVW's value.

Table: EV/EBITDA yield consideration

AVW	mid 2010	mid 2011	mid 2012e	mid 2013e
adj EBITDA	2,58	7,56	12,57	12,29
MC	42,00	42,00	42,00	42,00
net debt	28,58	61,80	75,13	81,75
EV	70,58	103,80	117,13	123,75
EV/(EBITDA	27,36	13,73	9,32	10,07
yield (%)	3,66%	7,28%	10,73%	9,93%
Impl asset yield	6,75%	6,25%	6,00%	6,00%
Impl EV	38,22	120,96	209,51	204,80
Implied MC	9,64	59,16	134,38	123,05
per share €	0,75	4,61	10,48	9,59

Source: AVW, AVW Grund, SQR estimates

Based on adjusted EBIDA (i.e. including IFRS40 valuation gains, as we also use the full net debt level) the EV/EBITDA yield currently is around 10%. This is due to a market capitalisation of around €42m.

Adjusting the EV/EBITDA yield to the operating asset yields (around 6%, see macroeconomic section of this report), implying market capitalisation levels could reach more than €120m.

This is clearly an excessive estimate, but it shows AVW'S share potential. In fact, at current market capitalisation, the implied value investors attribute to the development business (which earns around 3/4 of AVW's profits) is dramatically shrinking, if applying a NAV based valuation base.

Table: Implied value of AVW's development activities

AVW	mid 2010	mid 2011	mid 2012e	mid 2013e
P/E	33,39	11,23	6,32	7,59
Dividend %		6,1%	6,1%	6,1%
NAVPS	2,01	2,35	2,69	2,94
% MC	61,3%	71,7%	81,9%	89,5%
implied dev	38,7%	28,3%	18,1%	10,5%

Source: AVW, AVW Grund, SQR estimates

With AVW's NAV (book value) rising towards 90% of the current market capitalisation by 2013, the implied value of the development is shrinking to 10% from 39% in 2010. This would be the case, although AVW's activities (see pipeline section of this report) are actually growing. We believe that this discrepancy should close.

In the following, we have decomposed AVW's earnings streams into the EBITDA from development and base a valuation of the development business onto EV/EBITDA calculations. We arrive through this to an implied EV for the development business.

In addition, we employ a recurring income base multiple method to estimate the EV of AVW's rental and asset management units. We use the asset base yields to arrive at the appropriate EV for the rental and asset management activities,



Finally, we deduct the net debt from our combined EVs, as we would not be able to allocate the debt at any given time to each of the business fields. While this would lead to an average fair value per share of €5.45, we still see the necessity to apply a 25% discount cushion to reflect the low marketability of AVW's shares. Hence, this valuation arrives at €4.09/share.

Table EV/EBITDA and recurring yields valuation

AVW	mid 2010	mid 2011	mid 2012e	mid 2013e
EBITDA	2,58	7,56	12,57	12,29
Dev EBITDA	6,90	6,04	11,60	8,61
Dev EV/EB	6,00	6,00	6,00	6,00
impl EV dev	41,40	36,24	69,60	51,65
Recurring	5,86	4,75	5,40	6,29
Yield est	6,75%	6,25%	6,00%	6,00%
implied mult	14,81	16,00	16,67	16,67
impl EV recur	86,81	76,00	90,01	104,90
EV total	128,21	112,24	159,61	156,55
net debt	28,58	61,80	75,13	81,75
Market cap e	99,63	50,44	84,48	74,80
per share	7,77	3,93	6,59	5,83
average		5,45		
25% discount		1,36		
AVW value		4,09		

Source: AVW, AVW Grund, SQR estimates

Based on both methods, we feel comfortable with an average fair value of AVW shares at €4.20, leaving some 30% upside from current levels.



Company description

AVW is a real estate developer, which has been in operation since 1978, i.e. for 33 years, its formal creation as an AG was 1987. The company focused its early activities in the region around Hamburg, where it is located and embraces a excellent local expertise. This allowed AVW to act fast and successful, fuelling the company with funds, which enables it to grow further. Currently, it has 53 employees.

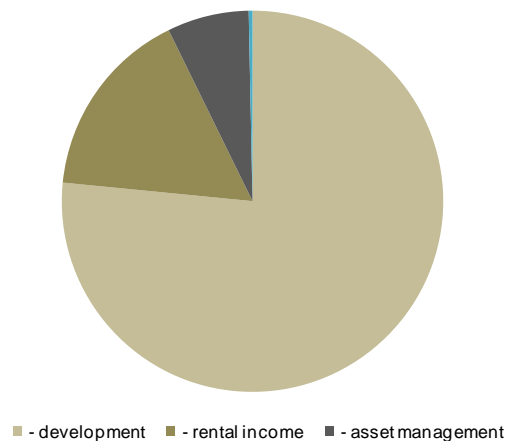
While initially AVW developed all kinds of real estate assets, a special focus has been on retail parks and nursing homes since 2009. This focus sharpened since 1995, when AVW almost entirely developed nursing homes and retail assets. With its broad expertise, it opportunistically acts in other fields, which are typically characterized by the fact that a single tenant occupies the building, in most cases a local government entity.

In the past, AVW finished around six projects a year, depending on the complexity of the development. The activities are still concentrated in a 150km circle around Hamburg, providing sufficient proximity for the management to closely monitor its developments and asset holdings.

AVW is active in five business fields:

1. Project development
2. General contracting
3. Asset holding
4. Asset management (also for 3rd parties)
5. Center management (for its retail developments)
6. Innovative 'rent-purchase' program for municipalities (PPP-like structure)

Chart: Relevance of AVW activities (2010)



Project development (75% of revenues, €23.4m in 2009/10)

AVW acts as a full service provider. It analyzes the site and the potential use of the project development. In addition, AVW provides all services related to the approval of the project. AVW acts on behalf of the final buyer of the project. In so far, the development activities are characterized by low risk, while developing margins are maintained. Part of these development margins are collected, once the project is finally sold. In the interim, AVW is paid by the buyer according to a plan, which it agrees upon with the buyer.

General contacting

Following the development phase, AVW acts as a general contractor, coordinating and executing all relevant activities. The actual construction is done by local companies, while AVW guarantees the continuous approval process and the construction as desired by the final buyer or tenant (if AVW keeps the asset in its own portfolio)



Asset holding (16% of sales, €4.9m in 2009/10)

Unlike typical developers, AVW also acts as an asset holder, generating rental income from the assets. This activity allowed AVW to establish an own property and asset management knowledge base. AVW holds the assets in its portfolio and manages the letting throughout the entire life time of the building. Currently, AVW owns 6 properties (2 retail assets, 2 nursing homes and 2 other purpose assets), worth around €56m. The book value of these assets alone represents 90% of AVW's current market capitalisation.

Asset management and Center management (7% of sales, €2.1m in 2009/10)

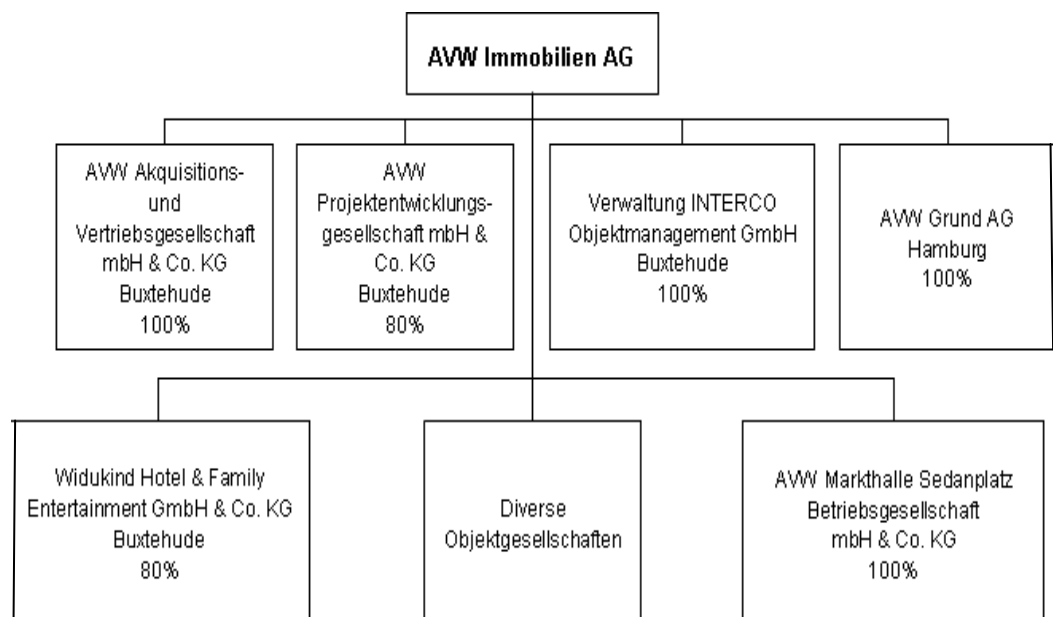
AVW acts as the 1st time rental agent for its assets. Typically, it acquires tenants for its development projects prior to the disposal to the end investor. AVW is mostly successful in finding these tenants prior to the actual construction start of the development, which reduces the investment risk for the end investor and for AVW alike. With its 33 years of experience, AVW is best positioned to identify and attract tenants for its developments.

As a logical evolution from asset management, AVW also acts as a centre manager for retail assets, which it develops. Hence, instead of concentrating and limiting it to the 1st time letting agreement, it acts as a manager for 3rd parties throughout the lifetime of the asset as a property and asset manager, ensuring sustainable rental income.

PPP-like rent-purchase activities for municipalities

As AVW has been active in a very defined region for the past three decades, it is well aware of the needs of the local government. It therefore developed a deferred purchase scheme for the municipalities, which allows them build new, while budgeting solely the rental costs, not the building and development costs. AVW structures the development and the subsequent rental agreement in a way that enables the communities to act fast and cost efficient. For AVW, this structure allows for either stable income streams over time or compelling selling arguments instantly.

Corporate structure



Source: AVW Grund AG prospectus, p 84



AVW Grund AG - propelling AVW Immobilien AG into a new league

AVW reports its results currently under three segments, we assume that **AVW Grund AG** could become the company's fourth reporting segment in the future.

- Project development (75-80% of revenues)
- Asset holding (15-20% of revenues)
- Retail centre management (approx. 5% of revenues)
- AVW Grund (asset holding company, bond financed)

The foundation of AVW Grund (December 2010) propels AVW onto a new level of asset holdings. The issue of a EUR50.8m, 4.5year maturity corporate bond (6.1% coupon) allowed AVW to grow its business without further access to the capital market.

The bond structure provides - at the same time - investors in the bond with a superior collateral structure to typical corporate bonds:

- Four existing retail parks - not out of the AVW Immobilien AG portfolio, but purchased from sources close to AVW - guarantee for 90% of the emission size with their assets (24,610sqm of rented space) and provide the necessary income from rents (include rents from anchor tenants LIDL, dm drug store, Plaza, Marktkauf) to pay for the annual coupon
 - EKZ Hamburg-Osdorf
 - Plaza Center Bad Oldesloe & Beverage Center
 - SB department store & Beverage Center Ratzeburg
 - Mediterraneo Mall Bremerhaven
- Due to the quality of the assets and the strength of the rental income, the bond received a BBB- investment grade rating
- AVW Immobilien AG guarantees the coupon payments at 1st request
- Independent auditors and administrators control the use of rental income
- Inflation adjustment through indexation
- Premium for early repayments between 2-3%

Table: AVW Grund AG P&L model

AVW Grund AG	item	6m 2011e	2012e	2013e	2014e	11m 2015e
Inflation	%	2%	2,50%	2,50%	2,50%	2,50%
Vacancy	%	2,40%	2,40%	2,00%	1,50%	1,00%
Rental income	full use €m	3,66	3,75	3,85	3,94	4,04
Effective rents	€m	1,79	3,75	3,86	3,98	3,76
Bond issue	€m	50,83	50,83	50,83	50,83	50,83
bond yield	%	6,10%	6,25%	6,41%	6,57%	6,73%
Interest costs	€m	1,55	3,18	3,26	3,34	3,14
gross cash	€m	0,24	0,57	0,60	0,64	0,62
other income	€m	0,25	0,50	0,50	0,50	0,46
operating costs	€m	0,35	0,71	0,71	0,71	0,65
cash difference	€m	0,14	0,36	0,39	0,43	0,43
EBIT	€m	1,69	3,54	3,65	3,77	3,57
Interest costs	€m	1,55	3,18	3,26	3,34	3,14
PTP	€m	0,14	0,36	0,39	0,43	0,43

Source: AVW Grund AG prospectus, SQR estimates



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Rental income yields €3.5m, which still offers room for improvement, as the vacancy level at the 9,400sqm large Mediterraneo is still around 6%. We expect that AVW will be able to lower the vacancy to normal levels in the coming quarters. The rental yield for the assets used as collateral for the bonds is 6.91% at the date of the issue of the bond.

As the bond yields some 6.1% to its investors, AVW has built in a €400,000 annual cash cushion (12.9% of annual coupon).

The overall deal is interesting from the perspective of the underlying assets: These were bought for 90% of the appraised value from 'sources close to the company'. At full occupancy, the rental income would have been €3.66m at the time of the acquisition – equal to a rental yield of 7.2% (i.e. the difference to the cash yield of 6.91% represents the rent potential). At a purchase of 90% of the appraised value (i.e. €45.8m), the potential yields would reach even 8.0% (12.5x rental multiple).

AVW is free to use up to 10% of the proceeds from the bond to finance its own growth. This allows AVW to increase yields for its own shareholders and boost its own business activities. Based on the bond's issued volume of around €51m, the structure of the transaction actually is equal to AVW having issued €5.1m in capital (equal to 13.5% of current market capitalisation).

Management

Willy Koch (1961), CEO

Willy Koch finished his academic studies as approved 'Handelsbetriebswirt'. After acting as assistant to the management at Kanne food wholesale operations, he became manager at NOVA group. Following this stage, he was in leading positions at AVA/Marktkauf and Managing Director of CEV Center Entwicklungs- und Verwaltungs- GmbH. Koch has been board member of AVW since 2008 and CEO since March 2010. His current contract ends in September 2013.

Kurt Lindemann (1948), Head of the supervisory board

Kurt Lindemann is head of the supervisory board. Previously, he was in leading functions at AVA AG in Bielefeld and at the EDEKA group.

Frank Albrecht (1944), founder and major shareholder

Frank H. Albrecht left the operational management of AVW in 2009, when he decided to leave the supervisory board. He acted as head of the supervisory board for 5 years, following 25 years as CEO of AVW Immobilien AG. Since 2009, he operates outside of AVW, but remains the majority shareholder. 25.1% of its shares in AVW are held through the family foundation.

Albrecht remains a key person in the AVW environment. On the one hand, he acts as guarantee provider for loans (back stop guarantees). In addition, he personally invests into assets, which AVW typically develops. Finally, he acts as contact person for other private investors, who either buy from or sell to AVW. Most recently, the group started AVW Grund AG, which bought assets from Albrecht and friends. Albrecht himself subscribed 25% of the AVW Grund AG bond.



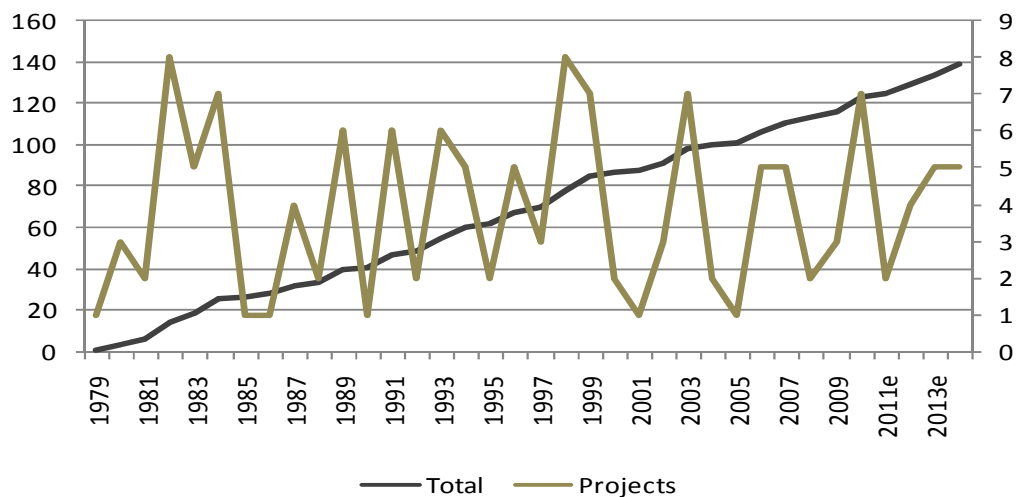
Business model

AVW is mainly a developer and asset holder. The company operates under IFRS, using the 'percentage of completion' accounting method. This is important to know, as AVW does not make a difference between projects developed for its own asset holding entities and those, which are sold to third parties.

Development structures

AVW currently develops three projects a year - on average. We assume that AVW is capable of doing more projects, as the company has proven in the past. In addition, the focus on mainly retail parks and nursing homes improves planning and realization procedures. In its history, AVW realized on average 3.9 projects a year.

Chart: history of project developments



Source: AVW, SQR estimates

AVW sources its developments from its established network of real estate agents, communities and other, long standing contacts. AVW only develops assets, if it has a clear understanding of the exit strategy: this could either be the own AVW Grund AG (in the future) or pre-defined final investors. In the past, this has often been the Albrecht family, which still is AVW's major shareholder.

Once the structure is defined and an exit strategy has been formulated, AVW secures the land rights or existing asset, typically alongside the finalization of zoning and usage rights. With these cornerstones in the back, AVW identifies anchor tenants, which are typically requesting some special items, allowing the retail park to improve frequency and returns.

Payment structures - earnings development

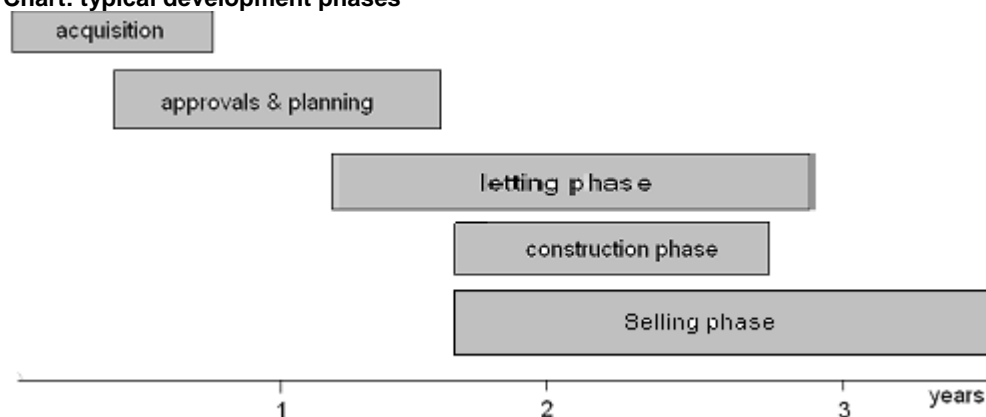
The pre-construction phase typically needs about 12 months. The identification and final purchase of the asset (or purchase right) needs about 6 months. Overall, the pre-construction phase lasts around 12-18 months. During this period AVW operates on its own risk.

Following this phase, AVW aims to achieve a pre-letting level of 75%. At this point, AVW would start acting as general contractor and initiate the construction of the development. Simultaneously, it will look for the final investor, which in most cases has been pre-arranged. In other words, the requirements of the investor have been part of the entire process, hence the risk of not closing the transaction is low.

In the future, AVW Grund AG is likely to become the core investor for AVW Immobilien development projects.



Chart: typical development phases



Source: SQR

AVW operates in a structure which keeps the cash requirements of the group low: 10% of the selling price would be paid at the time of the purchase by the investor.

Further payments are structured in similar steps as it is typical under the 'Makler- und Bauträger Verordnung - MABV'. The advantage for AVW lies in the fact that it can book profits accordingly.

Table: MABV payment structure

Steps	Payment acc to MABV	in % of costs at 15% margin	in % of costs cummulative
Start of the project	10%		
Start of groundworks	20%	35%	35%
For the total rest	70%		
Thereof			
Completion of the raw building ind carpentry works	40%	11%	45%
Roofs and gutter	8%	9%	54%
Plumbing and Heating	3%	4%	58%
Raw installation of sanitary objects	3%	4%	61%
Electricity	3%	4%	65%
Windows	10%	11%	76%
Plasterworks	6%	7%	83%
Flooring (concrete or parquet)	7%	8%	91%
When object is ready to move in	12%	15%	106%
Facadeworks (painting/coating)	3%	4%	109%
On full completion	5%	6%	115%

Source: MABV, SQR adjustments

The table above provides a closer look at the MABV. The structure is used typically in the residential market segment. However, developers are taking the MABV as a guideline also in other projects. The table above illustrates the fact that AVW is able to receive payments and book profits during the construction phase, which generally lasts between 12 and 18 months. Hence, a total project lifetime is about 36 months.



Asset sales

AVW is a developer. Its aim is to develop and sell assets. The structure mentioned above explains that the underlying disposal risk is almost eliminated at the time of the construction start. Hence, the economic risk for AVW lies almost exclusively in the purchase price for the bare land. These costs are being covered typically by the first payments from the end investor.

In addition, the structure shows another feature: the expected margin is being almost entirely booked well before the completion of the asset. Nevertheless, AVW experienced in the past that the asset sale was somewhat more profitable than initially anticipated.

AVW aims to achieve at least 15% developer margin. This margin is priced in, i.e. represents the difference between the cost of sales and the selling price/value. This price is set by AVW at the beginning of the project in order to test the viability of the project.

The actual selling price is then set in negotiations with the end investor. This can well be one - two annual rental income amounts higher than expected, i.e. providing an additional selling margin of 7 - 14%. We have not built in such margin expansion in our financial model. However, given the current demand for 'assets' in the financial markets, such additional margins should not be ruled out.

Asset management

AVW's asset management activities are embracing both

- facility management, i.e. all technical and service orientated activities in order to maintain the operational functioning of an asset, and
- asset management, i.e. all activities around the financial sphere of an asset. This includes 1st time letting, but also ongoing letting and re-letting activities, in particular for the retail parks

AVW offers its asset management activities for own assets and to third parties. In the future, the asset management will be a fast growing segment, chiefly as the asset holder AVW Grund AG would need these services.

Asset management fee income accounted for just 4% of revenues in 2010/11. However, with the creation of AVW Grund AG and the additional asset management fee income (see above), we assume that this business segment will almost double - on the existing asset base - in the next two years, when AVW will fully book the annual fee income from the €45m asset base, currently held by AVW Grund AG.

With the expansion of the business, this segment is likely to grow disproportionately, reaching well above 15% of sales in the next 5 years, we assume.

Asset holding

AVW owns a number of assets, chiefly in order to achieve rental income, which suits the company to cover its operational costs. The assets held are:

- Senioren- und Pflegezentrum Buxtehude (nursing home). This asset holds debt of €7.1m, which is land charges and is additionally independently guaranteed
- Family Entertainment Center Wolfenbüttel (shopping mall). This asset holds debt of €7.2m, of which - in addition to land charge - €2.6m of the principle is guaranteed separately. Frank Albrecht guarantees for €605,000 of annual rent
- Seniorenpflegezentrum Lüneburg (nursing home). This asset holds debt of €6.2m, guaranteed by land charge. In addition, all ground lease payments are serving as collateral
- Markthalle Sedanplatz Bremen (retail park). This asset holds debt of €1.1m, which is fully covered by first charge over the property
- Immobilie Gründerzentrum Winsen (office). AVW owns 50% of this asset. It currently holds debt of €1.8m, fully covered by the asset value



- Hotel Golden Tulip Hamburg (hotel). While this asset is legally owned by a third party, which is not part of the AVW group of companies. However, a special put/call structure leads to the fact that most of the operational risks - and chances - remain with AVW until the end of 2016. Hence, AVW still keeps this asset in its accounts

The value of all of these assets was €55.98m by the end of fiscal year 2011. Rental income is around €2.6m, around 4.7%, fully covering for the interest costs of €1.4m annually. AVW'S assets show an average pre-tax contribution of €0.5-0.75m annually, equal to around €0.05/share.

Table: AVW assets

Asset holdings	item	debt €'000	GAV €'000	LTV
Buxtehude	nursing home	7.054	16.000	44%
Wolfenbüttel	Retail	7.152	12.700	56%
Lüneburg	nursing home	6.155	10.400	59%
Bremen	Retail	1.124	3.700	30%
Winsen	Office	1.785	2.030	88%
Total		23.270	44.830	52%

Source: AVW, SQR calculation

With the rather low LTV of just 52%, AVW's assets offer a substantial value cushion for investors. The difference - i.e. book value - of its asset holdings is equal to €34.5m, which is equal to 60% of its current market capitalization.

This implies that investors currently receive the remaining activities essentially for a P/E ratio of two.



Current development pipeline

AVW has expanded its local reach through currently five development projects:

- Meissen Neumarkt Arkaden (cost budget €23m)
- Hamburg Rothenburgsorter Marktplatz (cost budget €35.7m)
- Weinheim Retail park (cost budget €41.1m)
- Zittau inner city retail park (cost budget estimated €22m)
- Selb inner city shopping center (revitalization, cost budget €20m)

Meissen Neumarkt Arkaden

AVW realizes an inner city shopping mall in Meissen/Saxony. The city is known for its China production (Meissen Porcelain) and a touristic magnet in Saxony. AVW expects the finalization of the project latest in spring 2012.

Given the preferred location, 90% of the retail space of 11,600 sqm is already pre-let to almost 30 tenants. AVW will invest €23m into the project, is already sold total consideration of €26.5m.

Rothenburgsorter Marktplatz

AVW expects the termination of the development by the end of 2011, i.e. within the current fiscal year. The asset will have 16,400sqm of rentable space, of which the vast majority is pre-rented (63% already a year ago).

The asset includes all real estate market segments - retail, office and residential - and is pre-sold to Frank Albrecht.

There seems to be little risk in the project. Most of the earnings have been booked already in 2010/11. We anticipate a selling price of €41m.

Weinheim Retail park

AVW acquired in April this year an area of the former cargo railway station in Weinheim from the German Bahn AG. The retail park will form a new city center for the city. AVW acquired 69,000sqm of land.

AVW plans to build 20,000sqm of lettable space on the land, allowing for a wide retail mix: While typical retail parks circle four to seven tenants around one anchor tenant, AVW plans to create a retail park with 15 tenants, including a DIY store, an electronic superstore and a garden center (important in the area, where home ownership is one of the highest in Germany).

As several pre-construction works had been already done in 2010, AVW expects to start the development by the end of this year. The 1st phase would be the construction of the DIY store, most likely to be opened by the fall of 2012. The 2nd phase should then be finalized in spring of 2013.

We expect AVW to achieve an exit price of €47.3m

Zittau inner city shopping mall

Most recently, AVW announced to have signed an agreement with the city of Zittau to build an inner city retail center with 12,000sqm of retail space and a parking deck on top of the two-story building.

The city was 'thankful' to have found a developer, suggesting that AVW was able to negotiate attractive conditions. As the planning phase appears to be short, given the support of the local government, we expect AVW to finalize the project by the middle of 2013, i.e. within the 2012/13 business year.

We estimate a total cost budget of €22m, similar to the costs in Meissen and a potential selling price of €25.3m.



Selb inner city department store re-vitalization

AVW is looking to re-vitalize an existing department store in Selb. AVW expects the positive initial verdict from local authorities in the near future.

The center is in atop location in Selb and has 10,200sqm of lettable space. AVW expects the final construction approval latest in early Q2 2012. Thereafter, re-construction will commence.

As with Meissen Neumarkt Arkaden, the multi-tenant shopping centre should host many retailers, allowing for a good risk diversification.

AVW expects investments of €21.2m. As we have not seen yet the final approval of the deal, we assume – leaving everything unchanged in the pipeline – that the project could bring in some €2-3m in cash income in late 2013. Given the early stage of the project, we have not included it into our model, hence, there is a potential earnings upside of around €3m, which we have not yet incorporated into our model.

Table: summary of current developments

Developments	2011/12e	2012/13e
Sales	64,0	51,0
Rothenburger	37,5	
Meissen	26,5	
Weinheim		33,2
Zittau		17,8
WIP	21,5	15,0
Weinheim	14,0	
Zittau	7,5	
new		15,0
Costs	74,3	57,4

Source: AVW, SQR estimates



Potential future activities

We believe that AVW has set the base for further strong growth, both in assets and in earnings. The company's strategy to focus on fast growing segments - nursing homes as a clear beneficiary of the aging population and retail parks as the most dynamic retail format in Germany - suggests that AVW could benefit from cost and intellectual synergies.

This should make its value propositions very competitive in the market field. The creation of AVW Grund AG provides AVW itself to step in as an equity partner into larger projects. Also, it makes AVW itself more flexible. The company's historic background and its strong major shareholders are, we believe, guaranteeing that AVW would not use its new flexibility unwise.

Increase asset management by launching further AVW Grund AG bonds

Following the successful issue of the €50.8m bond earlier this year, AVW might consider exploiting the current low interest environment to issue further bonds. While the structure for the existing bond was based on the acquisition of existing assets, future bonds might include a larger proportion of newly built assets - chiefly by AVW.

AVW would benefit from new launches in various ways:

- The ability to increase own assets: As 10% of the current bond - and presumably also of future bonds - are available as 'equity' for AVW, it might lead AVW to actively increase its own asset portfolio in order to boost rental income.
- The increase management fees: AVW Grund will use AVW'S asset and center management capacities, these will increase AVW's revenues in the field further

We have assumed that AVW would be able to launch a new, €50m bond every two years. This would allow AVW not only to increase the asset development activities - assuming that each bond buys 3 existing assets and one new - to be developed by AVW - but also the fee income.

Table: potential impact of new AVW Grund bonds

item	2011/12	2012/13	2012/13	2013/14	2014/15
Bond Issue	50,83	50,00		50,00	
Rental income	1,79	5,63	7,73	9,71	11,27
interest costs	1,55	4,73	6,52	8,18	9,41
gross cash	0,24	0,90	1,21	1,53	1,86
other income	0,25	0,75	1,00	1,25	1,50
operating costs	0,35	1,06	1,42	1,77	2,13
cash difference	0,14	0,59	0,79	1,01	1,23

Source: AVW Grund AG prospectus, SQR estimates

The table above details our assumptions:

- The 'cash difference' would be the pre-tax contribution of the bond issuance on AVW's profit line
- 'Operating costs' are essentially costs at AVW Grund level, but represent fee income for AVW asset management

We believe that these are conservative assumptions. In addition, IFRS valuation gains are likely, similar to the one recorded through the launch of the 1st bond, i.e. around 8% of issued bond volume.

This would imply addition non-cash earnings to the tune of €4m every 2 years. Based on the current number of outstanding shares, this is equal to €0.22/share (using a tax rate of 29%).



Launch closed end funds

Another potential business field might include the launch of a closed-end fund. The structure of developing assets within a closed end fund structure is not unusual.

Just very recently, YOUNIQ AG - the developer and operator (asset manager) of student homes - teamed up with MPC Capital. MPC will launch a closed end fund, which invests into student home assets. While the structure of such assets is different to nursing homes (student homes: frequent tenant changes, higher refurbishing costs, low service costs, depending on strong re-letting and asset management. nursing homes: low tenant turnover, high initial asset costs, high service costs, dependence on single operator), the focus on fast growing market segments is the same.

Closed-end funds in the retail park arena are already quiet common. This is an established financial product in the market. We assume that such financial products would be well in demand by smaller institutional investors and family offices. AVW is in a strong position, as it develops these assets successfully over the past 32 years. AVW bought the brand value 'Mediterraneo' for €1.2m in 2011. The aim is to repeat the Bremerhaven Mediterraneo concept in other cities and create a value enhancing brand image.

Closed-end funds also offer opportunities for current owners of existing assets. Instead of owning one asset, the asset might become part of a larger closed end fund, which allows for easier transfer of assets in the case of donation or heritage.

A decision by AVW to launch closed-end funds might have a similar effect on earnings as would have the issuance of further collateralized bonds by AVW Grund AG.

Higher recurring management fees and potentially higher rental income (as a result of certain differences between coupons paid on the closed end fund and actual rental income from underlying assets due to the gap in time between collecting and paying out of returns to investors). Any increase in these recurring earnings items would reduce AVW's earnings volatility.

Team-up with retail park operators as preferred developer

Finally, as AVW is becoming a nationwide developer for the before mentioned niche products, it is potentially becoming a preferred development partner for larger asset holders, especially those in a REIT structure.

The German REIT law does not permit a 'significant' part of the REIT operation in development. The REIT might therefore out-source the development of assets into a company, in which it holds no financial, but operational assets.

VIB Vermoegen AG is not a REIT, but operates very closely with the Kuebelboeck Development in Bavaria for the planning and development of its retail parks. The successful co-operation helps both firms.

Such a structure would allow AVW to significantly increase its national reach. In addition, it would allow it to boost its operations and full employ synergy effects. IN this case, AVW would be able to boost development returns massively, however, probably at cost of slightly lower margins.



SWOT Analysis

Strengths

Local expertise: AVW has been operating in northern Germany since 1978. Since then, AVW has developed strong relationships to local investors and authorities. Its innovative approach cements these relations.

Risk reduction: AVW continues to build a managed portfolio, which increases the amount of recurring rental and management fee income. This should significantly lower AVW's earnings volatility, particularly in relation to other developers.

Management: Following a period of management changes, AVW has now entered a stable shareholder and management structure. The new management and supervisory board complement each other, allowing for faster exploration of possibilities.

Weaknesses

Size: AVW operates in a niche segment not solely because it defined this segment as the most rewarding one. It is also due to limited financial resources. If other developers or asset holders (such as VIB Vermoegen AG or Hamborner REIT AG) move into this segment, competition might squeeze margins.

Local focus: so far, AVW operated solely in the northern part of Germany, in a circle of 150km around Hamburg. Only in 2009/10, AVW started operating in different areas. Hence, AVW is not a known player in these areas and might therefore not always get the best deal conditions.

Opportunities

Macro trend: AVW is ideally positioned to benefit from the shift towards easy to access retail parks. The growth ambitions of market leaders (Lidl, Aldi, REWE, KIK, etc.) support AVW's developments and reduce margin pressure on its developments. The additional focus on the fast growing nursing home segment offers further potential.

Investors' demand: the current low interest rate environment (10-year government bonds below 2.0% yield) requires insurance companies and asset managers to seek stable, low risk income streams. Retail assets with long maturing rental agreements with top tenants and some kind of inflation protection should well be in demand, lifting prices for assets.

Threats

Interest rates: rising interest rates and inflation rates could severely affect AVW. The financing through attractively yielding bonds might not be possible, while deteriorating market conditions might inhibit other capital measures.

Operating risks: AVW is currently in the middle of a law suit, in which a buyer of an asset (Haven Höövt) demands additional payments of €3.9m. So far AVW has set aside €250,000 for law suit costs, as it sees the allegations as void. In addition, the transaction of the Tulip Hotel remains on its balance sheet until end of 2016. Unfavourable conditions might lead to significant valuation changes.



Macro View

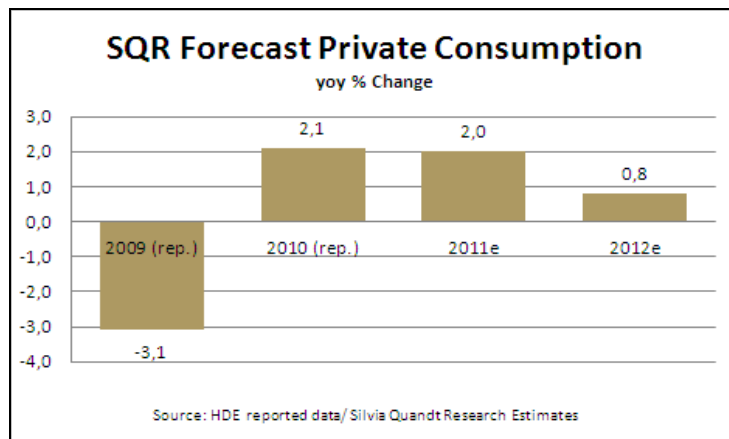
German retail sales

For further details, please contact our 'Retail and Consumer Team' Mark Josefson (+49-69 95 92 90 93 141) and Klaus Kraenzle (+49-69 95 92 90 93 195)

For years, the macroeconomic environment has tended to be viewed as a burden for German consumer and retail shares. Especially domestic driven companies were affected by a relatively weak performance of retail sales, which has alternated around the level of EUR400 billion over the past decade. Although there have been some big declines e.g. a drop of 3.1% in 2009, Germany has tended to be more stable than other European nations during economic downturns and that looks to be the case again in 2011/12.



According to the Federal Statistics Office, retail sales (excluding cars and fuel) rose by 2.5% nominal and 1.0% in real terms cumulative for the seven months to July. Given a disruptive weather pattern recently, we believe it inevitable that the pace will slow a little; neither will the current sovereign debt issue help consumer confidence; nonetheless 2011 should be a positive year for German retail sales development.



In the current environment it is difficult to call prospects for 2012, but again we would point to the high level of employment level and currently full order books for German exporters: At some stage this will

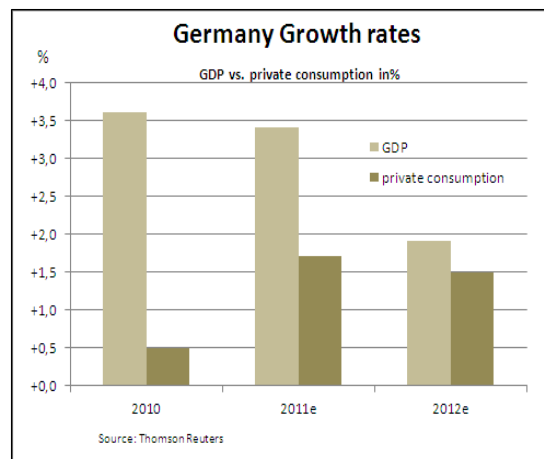


reverse, but we are still in a period of rising wage awards in Germany and thus higher take-home pay. The question is how much of the latter is used to improve the (already high) savings ratio and how much might be seen in higher consumer spend. Bottom line today we presume another year of growth in Germany, but importantly also, sector developments will be seen as important component of GDP growth in 2012.

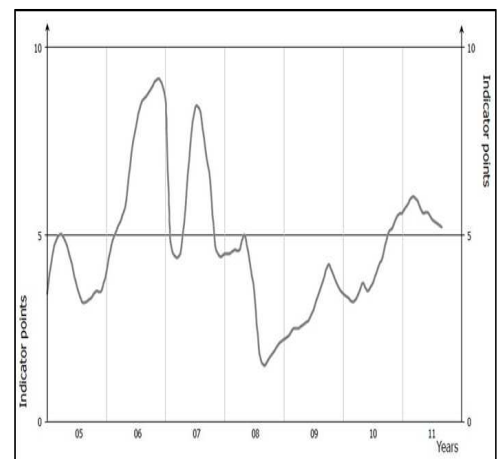
Most recent macroeconomic forecasts have been lowered, private consumption in Germany will outperform the spending behaviour of the economies in UK and USA. For many years the development had a reverse direction.

GfK: "Consumers in the mood for pre-Christmas spending"

Chart: GDP growth expectations



GfK consumer climate indicator



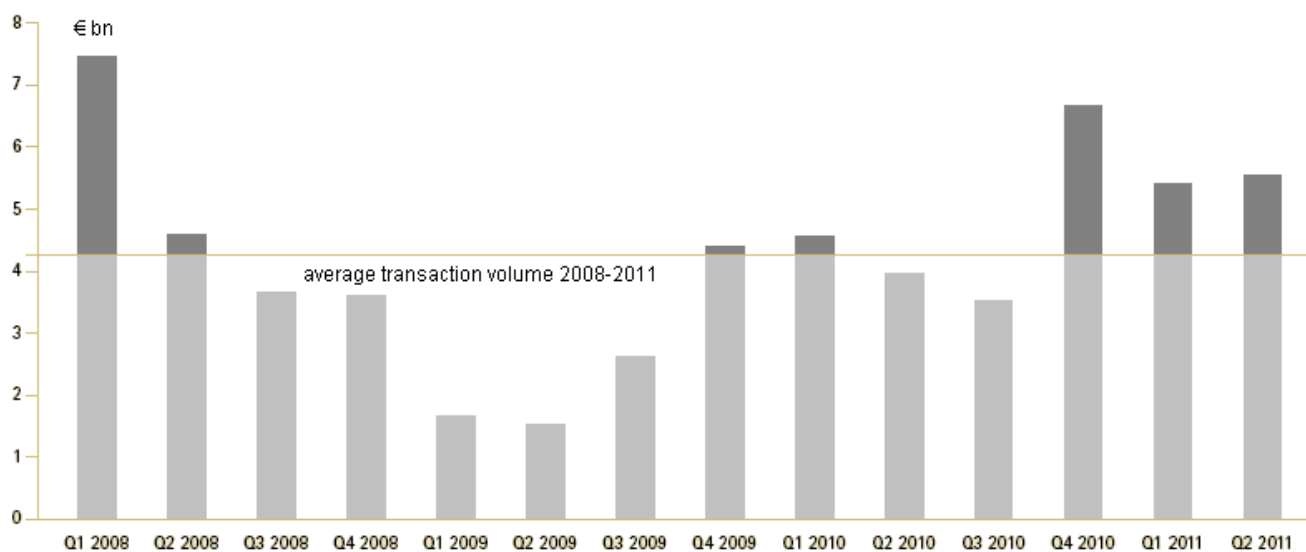
German retail real estate environment

For years, the retail market segment was the 2nd most wanted asset segment in the real estate market, only surpassed by office demand. The segment benefits from

- Stable retail sales (see above). They have been growing by around 1.0% p.a. in the past decade. 2009 saw a slump, but since then, retail sales have rebounded
- No massive rise in retail space. The increase was about 1.0-1.2% annually in the past decade. Hence, the relative sales/sqm has not altered significantly, although the trend towards larger entities is evident.
- Rebound from negative sqm-productivity declines. Since 2005, sales/sqm have not risen. This is changing since the massive drop in 2009 and is now in positive territory for the second consecutive year.

AVW is mostly active in the most vibrant segment of the spectrum: retail parks. This segment was among the main beneficiaries in the past decade, seeing its participation in retail sales rising from 21% in 2000 to 23.9% in 2011(e). In none of the years the segment faced a negative trend.

By stark contrast, department stores share halved to 2.1% during the same period. Mail order, which includes Internet sales, saw a doubling in participation to 13.3%. While this sounds to be a real threat to the stationary, local sales outlet, it is significantly less so for retail parks and inner city shopping centres, as they typically use food and daily need retailers as an anchor – and these products are rarely bought through the Internet.


Chart: transaction volume in retail real estate segment


Source: CBRE Q2 2011

On the retail side, transaction volumes are typically large, with ticket values above €250m. This applies in particular to inner city shopping centres, which are sizable and basically represent the 'true' economic centre of a town or a district.

The underlying economic fundamentals made the segment of retail assets the most desired asset class in H1 2011: with €6.2bn of €11bn transaction volume, 56% of all transaction were executed in the retail segment, with a clear focus on core and core+ assets.

Foreign investors are returning to Germany (accounting for 38% of all buyers by value, up 19% year-on-year). This demand spree leads to falling yields in the core segment. In addition, the focus on high valued shopping centres boosted demand – and prices – for these assets further. The result is a rather low – near record low – initial purchase yield. These reached around 5.1% at the end of Q1 2011 (-40bps).

The reasons for such prices paid are manifold:

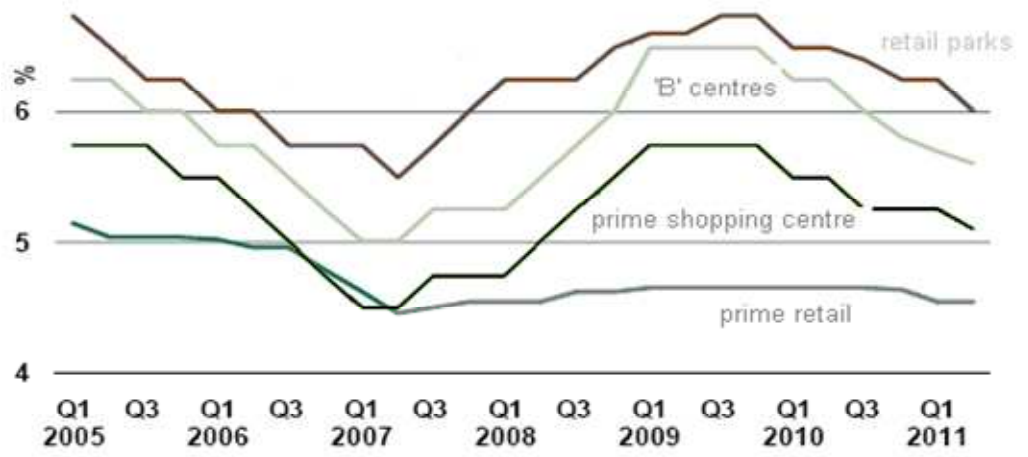
- **Safe haven:** the retail characteristics for Germany suggest a rather stable environment, which is not affected dramatically by economic drifts
- **Magnet cities:** in the past decade, the 'leaving city' trend has been reverted: Germany's cities and near metropolitan areas have become fashionable again. As a result, sales within shopping agglomerations (shopping centres, retail parks) are cannibalizing high street and neighbourhood shops. Hence, rental income is stable and rent/sales ratios are low.
- **Rent increase potential:** most centres operate with indexed rents. Also, some kind of turnover rent levels is typical. Both factors act as cushions – in fact as automatic cushions – against CPI. Interestingly enough, consumer price inflation is more radical than asset price inflation – at least in Germany. This allows for extra yields in times of rising inflation.
- **Financing.** Against the rent characteristics, it is easier to find financing for shopping areas than for offices or logistic centres. The granulate rental income structure is a valid guarantee for steady income patterns. Established asset management supports this structure.

These characteristics apply also to retail parks. However, the typical ticket size is smaller, around €5-20m. Almost half of all transaction occurs in this price bracket. Investors see additional yields in the range of 250-400bps, while risk patterns – at least for the 1st decade – appear to be similar.



SILVIA QUANDT
RESEARCH GMBH

At the end of Q1 2011, non-inner city retail parks yielded 7.00%, down 50bps year-on-year. Overall, the retail park segment saw initial yields of 6%, down almost 75bps year-on-year.



Source: CBRE, H1 2011



Financials

Profit and Loss Accounts

30.04. financial year	2008/09	2009/10	2010/11	2011/12	2012/13
Sales	30,50	31,25	32,63	73,90	58,29
- development	24,30	22,80	26,94	67,50	51,00
- WIP	3,40	8,80	0,20	21,50	15,00
- rental income	3,50	3,76	3,49	3,66	3,85
- asset management	2,30	2,10	1,26	1,74	2,45
- other revenues	0,40	2,59	0,94	1,00	1,00
Total performance	33,90	22,45	32,83	95,40	73,29
Cost of goods	22,30	7,10	21,10	77,40	57,39
Personel costs	5,00	4,30	3,60	3,69	3,87
local taxes	0,03	0,03	0,04	0,04	0,04
other costs	6,40	5,75	3,70	3,70	3,70
costs for rent guarantees	3,00	2,20	1,30	1,00	0,50
Total operating costs	36,73	19,38	29,74	84,83	65,01
EBITDA	- 2,83	3,07	3,09	10,57	8,29
D&A	0,20	0,15	0,15	0,20	0,20
EBIT	- 3,03	2,92	2,94	10,37	8,09
interest costs	2,10	2,12	2,12	3,67	5,30
interest income	0,20	0,20	0,20	0,30	0,40
other fin. Income	- 0,02	0,01	0,04	0,14	0,36
IFRS valuation gains/losses	0,30	0,49	4,47	2,00	4,00
Pre-tax result	- 4,65	0,52	5,53	9,14	7,55
Taxes	1,70	0,74	1,92	2,68	2,21
Tax rate	-37%	-142%	35%	29%	29%
Net profit	- 2,95	1,26	3,61	6,46	5,34
minorities	0,20	0,00	0,13	0,20	0,20
Attrib. net profit	- 2,75	1,26	3,75	6,66	5,54
number of shares	12,827	12,827	12,827	12,827	12,827
EPS	- 0,21	0,10	0,29	0,52	0,43
DPS	-	-	0,20	0,20	0,20
Payout ratio	n.m.	n.m.	69%	39%	46%
Cash net profit	- 4,95	1,01	2,61	7,72	4,73
Cash EPS	- 0,39	0,08	0,20	0,60	0,37

Source: AVW, AVW Grund, SQR estimates

We expect AVW to be able to close the vacancy gap in Mediterraneo to normal levels from 6% currently, allowing to capture additional rental income (AVW Grund will receive the income, but is 100% owned by AVW Immobilien). Development revenues are based on the pipeline model. We also assume that costs for rent guarantees will decline due to the strong underlying economic trend for retail parks and niche assets. 2010/11 IFRS gains include the benefits from the AVW Grund bond launch.

All data for periods after 2010/11 are SQR estimates.



Balance Sheet Accounts

30.04. financial year	Assets	2008/09	2009/10	2010/11	2011/12	2012/13
Investment properties		60,20	55,98	55,77	56,25	57,00
AVW Grund AG assets		-	-	51,30	51,30	51,30
Intangible assets		0,01	0,04	1,21	1,21	1,21
Assets under construction		-	-	-	-	-
Fixed assets		0,57	0,42	0,83	1,00	1,20
Financial assets		2,24	7,41	4,38	5,50	6,00
Other assets		1,52	1,49	0,75	1,00	1,50
Deferred tax assets		0,32	1,25	-	-	-
Long term assets		64,86	66,59	114,24	116,26	118,21
Assets available for sale		10,15	3,89	4,07	21,50	30,00
Land bank		0,12	0,12	0,12	0,12	0,12
Receivables		6,15	4,55	5,92	7,16	5,50
Receivables against group		4,46	3,63	0,98	1,50	2,00
other short term assets		1,66	2,18	4,91	4,00	5,00
Short term assets		22,54	14,37	16,00	34,28	42,62
Cash		9,14	6,78	2,23	7,65	9,53
Assets		96,54	87,74	132,47	158,19	170,36
Liabilities	Liabilities	96,54	87,74	132,47	158,19	170,36
Base capital		12,83	12,83	12,83	12,83	12,83
Capital reserves		3,13	3,13	3,13	3,13	3,13
Retained profits		6,41	7,67	11,38	15,48	18,45
Equity		22,37	23,63	27,35	31,44	34,42
minorities (long term debt)		2,22	2,15	2,81	3,02	3,25
Total Equity		24,59	25,78	30,16	34,46	37,66
Bank loans (long term)		27,28	26,30	22,60	22,00	21,50
Pre-payments		11,42	11,42	11,42	11,42	11,42
other long term debt		0,86	0,69	0,46	1,83	1,00
Long term debt		39,56	38,41	34,48	35,25	33,92
Bank loans (short term)		12,26	9,06	41,43	60,78	69,78
Trade payables		7,40	3,40	5,80	3,00	9,00
other short term debt		12,73	11,08	20,61	24,70	20,00
short term debt		32,39	23,54	67,84	88,48	98,78

Source: AVW, AVW Grund, SQR estimates

The key driver for the balance sheet is the launch of the AVW Grund bond (€51m) and the development phase (assets available for sale)
We do not expect AVW to change its financing and financial management structures in the near future. Interest cost cover ratios are sufficient.



Cash Flow Analysis and financial ratios

30.04. financial year	Ratios	2008/09	2009/10	2010/11	2011/12	2012/13
BS growth	%		-9,1%	51,0%	19,4%	7,7%
Equity ratio	%	23%	27%	21%	20%	20%
Bank debt/EBITDA	multiple	- 13,97	11,52	20,72	7,83	11,01
EBITDA/interest cost	multiple	- 1,35	1,45	1,46	2,88	1,56
BV/share	€	1,74	1,84	2,13	2,45	2,68

Source: AVW, AVW Grund, SQR estimates

30.04. financial year	CF model	2008/09	2009/10	2010/11	2011/12	2012/13
Net income	-	2,75	1,26	3,75	6,66	5,54
D&A		0,20	0,15	0,15	0,20	0,20
IFRS valuation	-	0,30	0,49	- 4,47	- 2,00	- 4,00
other non cash changes	-	5,40	- 2,80	- 5,37	- 2,80	- 1,96
Change in receivables		2,85	9,43	- 1,63	- 18,28	- 8,34
Change in payments		1,89	- 6,80	11,69	2,66	0,47
other changes		0,02	1,58	9,83	19,00	19,00
Operating cash flow	-	3,49	3,31	13,95	5,44	10,91
Cash flow from investments	-	2,80	- 3,08	- 45,28	- 16,13	- 15,00
Capital increases		-	-	-	-	-
Change in debt		7,38	- 2,60	26,80	18,75	8,50
Dividend payments		-	-	-	- 2,57	- 2,57
Cash flow from financing		7,38	- 2,60	26,80	16,18	5,93
Change in cash		1,09	- 2,37	- 4,53	5,50	1,85
Cash at start		8,06	9,14	6,78	2,23	7,65
Cash at end		9,15	6,77	2,25	7,73	9,50

Source: AVW, AVW Grund, SQR estimates



Risk notice, legal information, Disclaimer

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2. Information according to section 34b German Securities Trade Act (WpHG) and according to the German Regulation concerning the Analysis of Financial Instruments (FinAnV):

2.1. Information about the publisher, responsible company, transmission of financial analyses:

Company responsible for the preparation and publication: Silvia Quandt Research GmbH, Grüneburgweg 18, 60322 Frankfurt / Main.

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Author of the present financial analysis: Ralf Groenemeyer, Head of Research. Editor: Eerik Budarz

2.2. Sources of information and summary of the basis of valuation and the valuation methods applied during the preparation

2.2.1. Sources of information:

Essential sources of information for the preparation of this document are publications in interior and foreign media like information services (e.g., Reuters, VWD, Bloomberg, dpa-AFX, among others), business press (e.g., "Börsenzeitung" (financial paper), "Handelsblatt", "Frankfurter Allgemeine Zeitung", Financial Times, among others), specialized press, published statistics, rating agencies as well as publications of the analysed issuers.

All information refers to the date of the publication: [Date, time, refer to the date at the end of the disclaimer]

2.2.2. Summary of the basis of valuation and the valuation methods used during the preparation:

Within the scope of the evaluation of enterprises the following valuation methods are applied: multiplier models (stock exchange value / profit, stock exchange value / cash flow, stock exchange value / book value, Enterprise Value (EV) / turnover, EV / EBIT, EV / EBITA, EV / EBITDA), Peer Group comparisons, historic valuation methods, discounting models (DCF, DDM, EVA, RIM), Break-up-Value- and Sum-of-the-Parts-approaches, substance-valuation methods or a combination of different methods. The valuation models are dependent on economic parameters like interest rates, currencies, resources and on economic assumptions. Moreover, market moods influence the valuations of enterprises. Also, the approaches are based on expectations that may change rapidly and without advance warning according to developments specific for the respective branch. Therefore, the valuation results and fair values derived from the models may also change accordingly. The results of the evaluation basically refer to a period of 12 months. Nevertheless, they are also subjected to market conditions and constitute merely a snapshot. They may be reached faster or slower or may be scaled up or down.

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BUY: The expected yield, based on the determined target price, incl. dividend payment within the respective suitable time frame amounts to > + 10%.

NEUTRAL: The expected yield, based on the determined target price, incl. dividend payment within the suitable time frame amounts to between -10% and <+10%.

AVOID: The expected yield, based on the determined target price, incl. dividend payment within the suitable time frame amounts to <= - 10%.

2.3. Update

A specific update of the present analysis at a firm time has currently not yet been determined. The analysis and the opinions and assessments contained therein merely reflect the perspective taken at the date stated on the first page of the analysis. Silvia Quandt Research GmbH reserves the right to make an update of the analysis or the opinions and assessments contained therein without prior notice. The decision whether and when an update is made lies solely in the discretion of Silvia Quandt Research GmbH.

2.4. Information about possible conflicts of interest

According to section 34b WpHG and according to the FinAnV, among other things, when preparing a financial analysis an obligation exists to point out possible conflicts of interest in relation to the analysed finance instrument or the issuer.

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11. This financial analysis had been made accessible for the issuer, who or whose financial instruments are subjected to the financial analysis, before publication and was modified subsequently.
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2. The remuneration of the aforementioned persons and/or enterprises is dependent on investment banking transactions of their own enterprise or of affiliated enterprises.
3. In their trading portfolio the aforementioned Persons and/or enterprises regularly hold financial instruments which or the issuer of which are subjected to the financial analysis.
4. The aforementioned persons and/or enterprises hold in respect of the financial instruments, which or the issuer of which are subjected to the financial analysis, a net short (short position) of at least 1 percent of the share capital of the issuer.
5. The aforementioned persons and/or enterprises supervise financial instruments, which or the issuer of which are subjected to the financial analysis, in a market by placing purchase or selling orders (Market Making/ Designated Sponsoring).
6. The aforementioned persons and/or enterprises were involved within the preceding twelve months in lead managing a consortium for in the public offering of financial instruments, which or the issuer of which are subjected to the financial analysis.
7. The aforementioned persons and/or enterprises acted as an issuing bank or a selling agent within the scope of the listing on the stock exchange of the issuer, who or whose financial instruments are subjected to the financial analysis.
8. The aforementioned persons and/or enterprises, within the preceding twelve months and towards the issuer, who or whose financial instruments are subjected to the financial analysis, were bound by an agreement about services in connection with investment banking transactions or received in this period from such an agreement a benefit or a performance promise.
9. The aforementioned persons and/or enterprises expect from the issuer, who or whose financial instruments are subjected to the financial analysis, during the next three months remunerations for services in connection with investment banking transactions or seek at such remunerations.
10. The aforementioned persons and/or enterprises have concluded an agreement for the preparation of a financial analysis with the issuer, who or whose financial instruments are subjected to the financial analysis.



11. This financial analysis had been made accessible for the issuer, who or whose financial instruments are subjected to the financial analysis, before publication and was modified subsequently.

12. The aforementioned persons and/or members of the management board of the aforementioned enterprises hold seats on the board of directors or seats on the supervisory board with issuers, who or whose financial instruments are subjected to the financial analysis.

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2.5. Quarterly overview according to section 5 subsection 4 No. 3 FinAnV

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3.1. Issuer and notice according to section 4 subsection 4 No. 4 FinAnV about preceding publications during the last twelve months about the security or the issuer

Issuer of the analyzed finance instrument is AWW Immobilien AG

3.2. Date of the first publication and date and time of the price of financial instruments

	1st publication	Price €	Recommendation	Target €
AWW Immobilien AG	27.09.2011	3,28 €	Buy	4,20 €

3.3. Overview of our financial analyses of securities or issuers during the last twelve months



Company	Date of issue	Price at issue	Recommendation	Target price
AWW Immobilien AG	27.09.2011	3,28 €	Buy	4,20 €

3.4. Information about possible conflicts of interest

3.4.1. Conflict of interests of Silvia Quandt Research GmbH

2.4.1.1. Bet: >5%	2.4.1.2. Comp.	2.4.1.3. Trade	2.4.1.4. Short >1%	2.4.1.5. DS	2.4.1.6. ECM act.	2.4.1.7. IPO	2.4.1.8. Comp.Res.	2.4.1.9. Comp.ECM	2.4.1.10. Contract	2.4.1.11. Inform.	2.4.1.12. Mandate	2.4.1.13. Holding
					x			x	x		x	

3.4.2. Conflicts of interest biw bank für Investments und Wertpapiere AG when transmitting the financial analysis

2.4.2.1. Bet: >5%	2.4.2.2. Comp.	2.4.2.3. Trade	2.4.2.4. Short >1%	2.4.2.5. DS	2.4.2.6. ECM act.	2.4.2.7. IPO	2.4.2.8. Comp.Res.	2.4.2.9. Comp.ECM	2.4.2.10. Contract	2.4.2.11. Inform.	2.4.2.12. Mandate	2.4.2.13. Holding
		x		x	x			x				

3.5. Publication according to article 5 (4) no. 3 of the German Regulation concerning the analysis of financial instruments (Finanzanalyseverordnung):

Number of recommendations from Silvia Quandt Research GmbH in 2011	Thereof recommendations for issuers to which investment banking services were provided during the preceding twelve months
Buys: 100	32
Neutral: 38	6
Avoid: 6	0

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Frankfurt am Main, 26.09.2011

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